Better Buildings
U.S. DEPARTMENT OF ENERGY

How to Become a Green Lease Leader: The Latest in High-Performance Leasing Practices and Recognition

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Today’s Speakers

- **Jason Hirata**, Counsel, Endowment Legal Division, Legal Group, Kamehameha Schools
- **Holly Carr**, Energy Technology Program Specialist, U.S. Department of Energy
- **Alex Harry**, Program Manager, Market Engagement, Institute for Market Transformation
- **Gregg Ankenman**, Partner, Wendel Rosen LLP
POLL: Who do you represent?

- Tenant
- Landlord
- Both
- Other: Please specify
Agenda

1. Green Leasing Primer & Benefits            Holly Carr
2. Green Lease Leaders Recognition           Alex Harry
3. Stories from the Field                    Gregg Ankenman
4. Q&A
Green Leasing Primer
Green Lease Guiding Principles

Tenants and Landlords should:

1. Know how much energy their buildings use.

2. Pay for energy upgrades commensurate to the financial benefits they receive.

3. Realize savings from cost-effective maintenance and behavioral energy best practices they undertake.
What is a green lease?

Energy-aligned “Green” leases *equitably align* the costs and benefits of energy and water efficiency investments between building owners and tenants.

**Landlord** installs new high efficiency RTU. **Tenant** pays incremental upcharge.

**Tenant** uses less energy, pays lower bills over life of lease.

**Landlord** installs solar on rooftop. **Tenant** purchases onsite power.

**Tenant** pays lower utility bill, reduces GHG emissions.
Benefits of green leasing

- Reduce utility bills up to $0.51 per square foot*
- Increase NOI
- Reduce occupancy costs
- Increase building occupant satisfaction
- Improve landlord-tenant communication and relationship

Green Leasing: Resources and Recognition

Alexandra Harry
Institute for Market Transformation (IMT)
Who Has Green Leases?
Green Lease Leaders

Initiated in 2013 by U.S. Department of Energy and the Institute for Market to:

- Define best practices in leasing
- Offer resources and technical support
- Recognize tenants, property owners and brokers
- Drive higher performance in leased space

2018 Enhancements
Recognition Criteria
Resources
Website
What are the requirements for recognition?

**Silver**
- Earn both prerequisites and at least 5 of 9 credits
- Document standard corporate policies
- Meet 5 credit requirements

**Gold**
- Meet Silver requirements
- At least 1 executed lease
- Write a case study
What are the requirements?

Prerequisites
(meet 2)

- Identify Sustainability Contact
- Minimum Energy Efficient Fit-out Requirements (Tenant only)
- Cost Recovery Clause (Preq-Landlord only, Credit-Tenant only)

Credits
(Choose at least 5)

1. Whole building ENERGY STAR score disclosure:
   Tenant space energy disclosure (Landlord only):
2. Meter tenant spaces
3. Implement Energy Management Best Practices
4. Purchase on-site renewables
5. Innovation in Leasing

Refer to reference guide to see the full list of credits
Cost Recovery Clause

• ...capital expenses for improvements which reduce operating expenses, for which recovery shall be up to but not exceeding the amount of reduced operating expenses on an annual basis, until such time as the capital expense has been fully amortized;

Minimum Energy Efficient Fit-Out

• Landlord’s approval of Tenant’s proposed Space Plan, Working Drawings, or Change Order shall not be unreasonably withheld, conditioned or Delayed; provided, however, that Landlord shall not be deemed to have unreasonably withheld its approval of any Space Plan, Working Drawings or Change Order that: Does not reflect the following the requirements of ENERGY STR Tenant Space or equivalent.

Whole Building ENERGY STAR Disclosure

• Landlord shall provide reports for the amount of electricity, natural gas and fuel oil (where applicable) consumed at the building broken down by utility type, energy unit usage (e.g., kWh, therms or ccf, gallons), cost per month for each energy source for the duration of the Lease.

Tenant Space Energy Disclosure

• Tenant shall be required to submit on a(n) [monthly, quarterly, annual] basis to Landlord energy and water consumption data, including total usage and total charges as they appear on Tenant’s electric, gas, water, and other utility bills, in a format deemed reasonably acceptable by Landlord.
Review Requirements
Need help? Contact us!

- Green Lease Check-up
- Recommendations for updates to policies and form documents
- Application assistance
- Case study development

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GREEN LEASING – KEY ISSUES AND PRACTICE POINTERS

Gregg Ankenman, Wendel Rosen LLP
Determine & Clearly Define Green Objectives

- Clearly Spell Out Standards and Requirements for Construction and Operations
- Minimum Energy Efficient Fit-Out Requirements (GLL Tenant Prerequisite)
- Implement Energy Management Best Practices (GLL Credit)
- Purchase On-Site Removable if offered by Landlord and priced competitively (GLL Credit)
Set Up For Success

- Communication - Identify Sustainability Contact (GLL Prerequisite)
- Allocation of Costs and Benefits - Cost Recovery Clause (GLL Landlord Preq./Tenant Credit)
- Meter Tenant Spaces Over 5,000 sq. ft. (GLL Landlord Credit)
Track and Verify

- Confirm and Ensure Performance
- Annual Whole Building Energy Star Serve Disclosure (GLL Credit)
- Annual Tenant Space Energy Disclosure (GLL Credit)
- Traditional Lease Remedies May Not Be Appropriate or Adequate
Don’t Miss Low-Hanging Fruit, But Also Innovate

- Innovation in Leasing: Lease language not covered by stated credits or prerequisites that reduces water or energy consumption
- Examples
- New Challenge – Increased Employee Density
Q&A